MediaPost's

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ART, SCIENCE & EVERYTHING IN BETWEEN

AGENCIES OF THE YEAR

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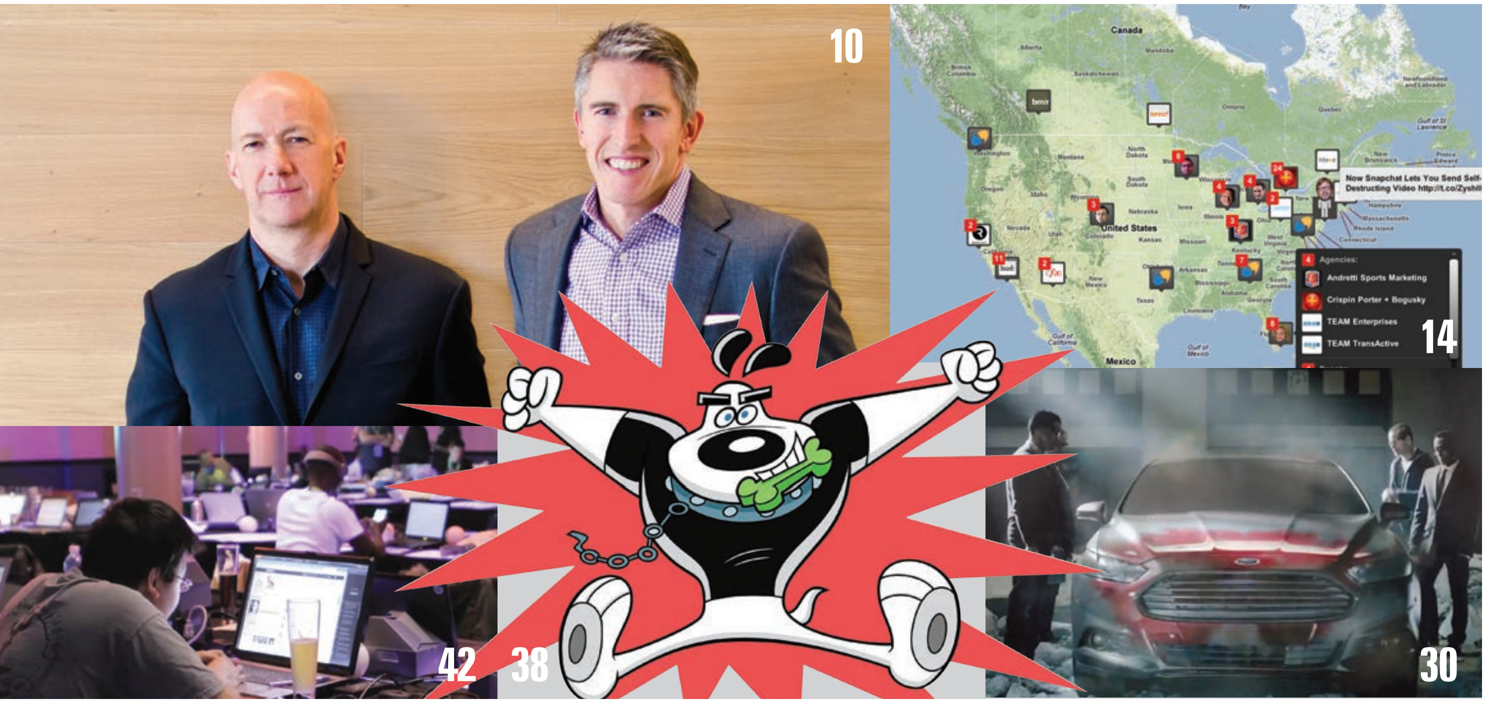

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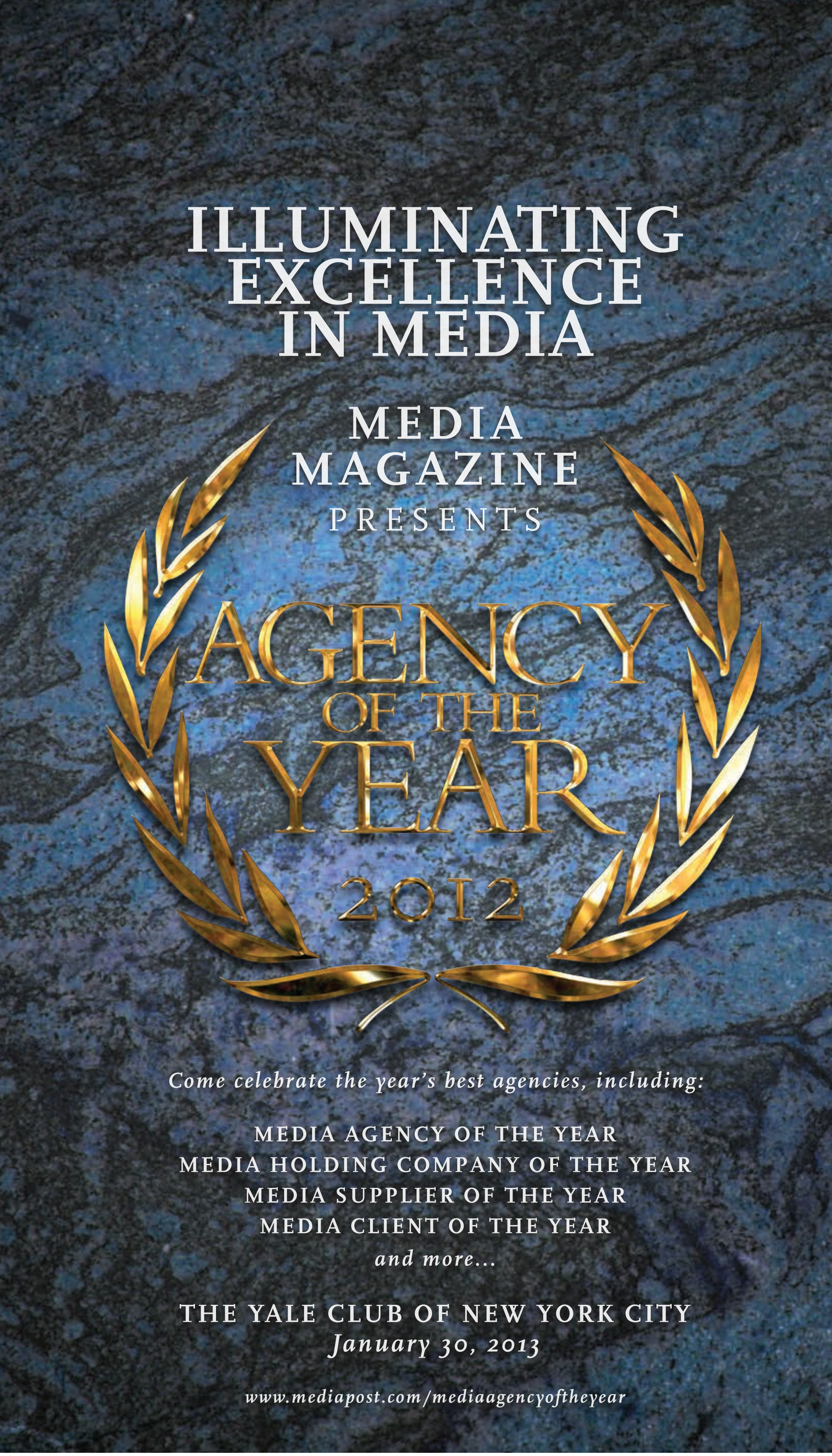

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Choosing Our Winners

From massive holding companies to short-lived hackathons, *MEDIA* magazine salutes the men and women shaping the industry's future

The good news is that my strategy for getting the best media services organizations to be more open about what sets them apart is working. The bad news is that it's working. That may not necessarily be bad news for the readers of *MEDIA* magazine, but it is for its editors, because it's making selecting agencies of the year harder. I don't have any hard metrics to back that up, but I can tell, that after more than 30 years of covering this business, I have never seen more innovation — and perhaps equally importantly, more innovative ways of talking about it — than I've seen coming from media services organizations these past 12 months.

Be careful what you wish for, right? Or to quote an old ad slogan — by some accounts the first significant one — when it rains it pours. So our editorial team spent more time poring through case studies, presentations, press coverage, and in a lot of the cases reflected here, some pretty impressive direct pitches. The result is that I am as proud as I have ever been about the people and organizations we recognize in this issue, but also candidly quite frustrated. I'm frustrated, because we couldn't recognize everyone, but I suppose that's why we have things like Agency of the Year Awards, to make tough calls about who's on top. I also suppose it's why we have editor's forewords like this, so we can talk about some of the others that easily could have won.

In the end, I will confess that this process is highly subjective, and what separates the winners from the almost winners was often a small margin of difference in the way they played their story, or at least, in the way we heard it. But first let me remind you about our criteria. These awards are not based on business wins or billings growth, per se, but on the ability of each organization to demonstrate — by showing, not simply telling — how they delivered three very specific things: Strategic vision, innovation and industry leadership. In recent years, we've added a fourth, criteria, which is collaboration, or the ability to get others in the industry, especially competitors, to work with them to make positive changes happen. Collaboration doesn't always have to happen in the spirit of openness, the way MPG's Collaborative Alliance or MDC Partners' Media Kitchen have operated. Sometimes, it comes from the position of leverage, and the ability to influence others to work with them for a common good, the way WPP's operations have.

And while I am disappointed that we were not able to recognize every organization delivering on those four criteria, I want to congratulate all of the organizations we looked at for adapting to rapid, Industrial Revolution–level change. Lastly, I want to single out this year's Agency of the Year, Carat for its first-ever win, besting some especially strong competition, particularly from OMD. You know, for years, a former Carat chief would give me a lot of grief for picking the same organization over and over again for being the best for several years running. Well, Carat has caught up, and surpassed that organization in our estimation, and I'm sure its current management wouldn't mind winning for several more years to come. That's just the way we do things at *MEDIA*. We're not picking these awards based on winning friends, or losing them. They are based purely and simply on who we believe did the best job of moving the industry forward each year. Congratulations to all this year's winners.

I'M FRUSTRATED, BECAUSE WE COULDN'T RECOGNIZE EVERYONE, BUT I SUPPOSE THAT'S WHY WE HAVE THINGS LIKE AGENCY OF THE YEAR AWARDS, TO MAKE TOUGH CALLS ABOUT WHO'S ON TOP.

JOE MANDESE, EDITOR-IN-CHIEF

THE BIG PICTURE

MEDIA MAGIC

With some 3.64 million people passing through each day, Japan's Shinjuku isn't just the world's busiest neighborhood, it's on the leading edge a medium re-inventing itself: We think digital out-of-home is the most intriguing media of the year.

It goes without saying that digital billboards are more flexible and efficient for marketers, says Ray Rotolo, Posterscope's chief operating officer.

But more important, he says, is the way digital OOH can potentially mesmerize consumers. For one Posterscope client, he says, agency spotters used boards to call out to individuals as they walked through London's Piccadilly (the world's second busiest OOH area, with 3.4 million daily onlookers.) The board would say something like, "You in the blue suit, by that statue? Dance!" Eventually, he says, "there was a long line of people doing the rhumba."

In Times Square (the third busiest OOH area, with 1.5 million people passing through each day) one of his favorite efforts was a Disney billboard that used to augmented reality to photograph pedestrians with a Disney character.

"Consumers now walk through such areas expecting to see something big. They look up and all around them in wonder and awe. It never fails."

PHOTO: SEANPAVONEPHOTO/SHUTTERSTOCK.COM

AGENCY OF THE YEAR CARAT

The New Negotiator

Powered by massive consumer insights and a no-silos-here culture, this Aegis-owned unit is rewriting industry rules BY STEVE MCCLELLAN

For years, advertisers and agencies have complained that TV networks have been delivering fewer eyeballs and charging more for the privilege of placing ads in their programs. They have also complained that networks have forced them to buy unwanted and lower rated shows along with the programs they have actually wanted to place ads in.

But during this spring's television upfront Carat USA, a unit of Aegis Group, and *MEDIA* Magazine's 2012 Media Agency of the Year, pushed back and placed its money elsewhere when networks refused to budge on price or package. It was able to do so because it invested heavily to remake its go-to-market process. At the core of that process is a new consumer segmentation approach that rivals many syndicated services with the added benefit of being proprietary and thus adjustable on a continuing basis.

It's been a landmark year for Carat on the leadership and innovation front. And while the agency world talks a lot about consumer-centric planning, big new clients have bought into Carat's reformulated customer-at-the-core approach, which it calls "agent based modeling." Those clients include General Motors, which awarded Carat its $3 billion media assignment early in the year and Macy's, which shifted its $500 million broadcast and digital account to the shop toward the end of the year.

Those new assignments, and The Home Depot as well, which shifted to Carat in late 2011, have driven the agency's revenue growth 50 percent over the past two years. That performance has been key to helping parent Aegis generate organic growth in 2012 of around 15 percent, far more than most of its holding company competitors.

Rewiring Core Industry Relationships

And it's not just the traditional networks that Carat is forging new ways of doing business with. It also has the major digital titans — the Googles, Apples and Amazons — in its sights. The goal there is to forge potentially game-changing "infrastructural relationships," that drive advantages for clients, says Carat Global president Doug Ray. Each of those digital media giants presents a unique opportunity that might be centered on data, or content, or distribution platform, or some combination of assets that could significantly advance clients' abilities to achieve stated marketing goals.

"It used to be I give you money for a good price," says Ray of past agency tie-ups with media companies. "That was what it was all about. That's one component but the least important of what we're looking for today." Instead, innovation and competitive

"WE'RE REDEFINING THE VALUE OF MEDIA"

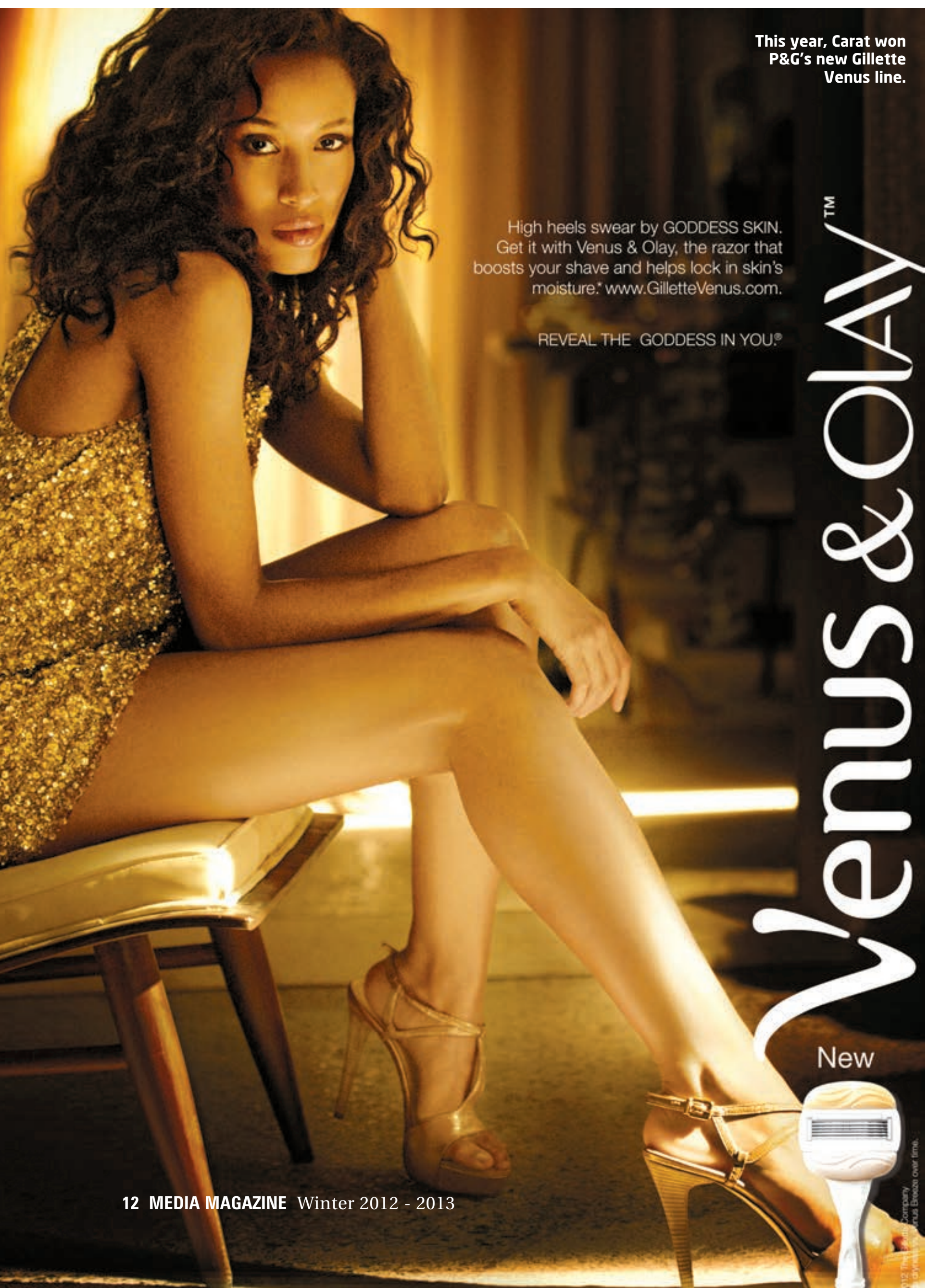
DOUG RAY
President, Carat Global, at right, pictured with Nigel Morris, CEO, Carat parent Aegis Media North America

advantage are now the key drivers of big media company–agency relationships, says Ray. Some deals have been struck but they're confidential per the competitive advantage piece of the equation.

Pushing back against network pricing and packaging wasn't easy. It took millions of dollars of investment that began around the time that Ray was named head of the agency in June 2011. Those dollars were used to create a new consumer segmentation process that ties the agency's entire research-and-insights and planning-and-buying process together in a way that allows it to pinpoint precisely the target audiences that its clients want to expose their marketing messages to. Not by age or sex — the broad and traditional demographics that the networks have been pedaling for decades — but by specific clusters of customers and prospects who are most likely to buy client products and services.

"We really haven't had the opportunity to push back on the rising rates as we have this year," says Ray. But by spending the money to reformulate the way the agency identifies consumer segments and pinpoints where they can be found throughout the media landscape, Carat created that opportunity. And at least one network research team audited and validated Carat's methodology.

Carat's new approach raises questions for the entire industry about exactly how much bang network TV clients are getting for the bucks they pay in terms of actually improving business results. Clients frequently pay double digit annual increases for ads based on traditional demographic ratings. "But when you actually look at the audiences we really care about it suddenly looks like a 200 percent premium. You share that with a client and they won't buy into that when we can find the same audience at significantly less cost" somewhere else.



This year, Carat won P&G's new Gillette Venus line.

Nigel Morris, CEO of Carat parent Aegis Media North America adds that the industry's go-to-market approach "hadn't really changed that much," in recent years despite huge change within the media landscape. Carat's shift, he added, "is a strategic position, not a negotiating tactic," he says.

The Exponential Power of Consumer Insights

The shop's approach to gathering consumer insights begins with a survey sample known as CCS or Consumer Connection System. It's a global system that reaches 300,000 consumers worldwide. Last year Ray decided to expand the U.S. portion of the survey from 10,000 to 30,000 consumers. It covers more than 60 consumer touch points and identifies 240 attitudinal and behavioral consumer profiles with 500 questions that are constantly being refreshed. Currently, nearly 40 questions address mobile usage alone.

Expansion of the sample size was critical to gathering more precise information about smaller consumer segments that clients care deeply about such as new moms. And Ray says CCS is now one of the largest single sources of market research about Hispanics and the gay and lesbian community, sectors that an increasing number of marketers care about reaching.

Adland talks frequently about consumers being at the core of marketing plans. They always have been, but the difference now is the oceans of data available in the digital world help marketers better define their customers, their habits, likes and dislikes. Ray points to Millennials to illustrate the point. "Many clients are focused on them," he says. "And there are fundamentally different types of millennial shoppers," which can be identified with the expanded CCS platform. "For one group you need more mobile and social in your marketing plan. Another group mirrors older consumers in terms of [their desire for] deals and coupons."

Expansion of the survey was just one part of the go-to-market reformulation. Survey data was then fused with Nielsen audience ratings and other third-party research databases to create customized ratings that define literally hundreds of behavioral subsets within programs, time periods and networks. "The survey itself is not that innovative," says Ray. "But linking it to other data bases, and the unique way the data is massaged and fed through our entire planning and buying system gives us actionability," he says.

"Being able to uniquely develop ratings for programs and networks against the target audiences that our clients are building marketing plans against gives us more perspective on the marketplace in terms of where the real value is," says Ray. "We're redefining the value of media." And by doing so, Ray believes, he and his team are also taking the lead in redefining the value of media agencies and giving them a seat at the client's table "with real influence."

And it's not just new clients that are buying into Carat's redefinition of media value. Important current clients are buying in as well, notably Procter & Gamble, which rewarded the agency over the past year with two big new pieces of planning business, including the Gillette Venus line of women's grooming products. Now Carat handles all of Gillette, having won the planning assignment for the men's grooming portfolio two years ago.

Carat also was awarded P&G's North American communications planning assignment for the London Olympics and now has been tasked with the client's global Olympics communications planning assignment going forward.

OUR OPERATING MODEL

"We've made it part of the DNA of the culture here to deliver solutions with no silos."

NIGEL MORRIS
CEO, Carat parent
Aegis Media North America

Inventing the Future with MIT

Looking ahead, Ray says that constant innovation is essential to success in the media agency space. Carat does that in a number of ways, not the least of which is through a unique sponsorship agreement with the MIT Media Lab.

Ray says the agency thought long and hard about whether to create its own lab or support an existing one. Ultimately the feeling was "we could never be ahead of where the MIT Media Lab is because of the number of projects they have going at any one time and the number of engineers they have working there so we made a strategic decision to support them and be a part of that group." The arrangement enables Carat to be among the first participants in tests of new platforms and other media-related innovations coming out of the lab.

And the relationship is yielding tangible results. One example is a startup called Luminoso that was developed at the MIT Lab. Luminoso software can analyze text from digital platforms interpreting results the way a person would. Carat has used it to refine customer insights for some clients. According to the *Boston Business Journal*, the software determined that consumers prefer more brightly-colored toiletry products. Ray declined to talk specifically about how the software is being used for clients.

Carat's innovations unit, Jumptank, also drives the development of new media techniques and platforms at the agency. It created a platform called Connected Cultures, which isolates clusters of consumers that are connected through common interests, life stages, concerns, hobbies, philosophies and so forth and tries to define drivers and motivators of such groups.

Ray says that it's critical that agencies understand why different clusters of consumers connect with each other. The more marketers know about such connections, he asserts, the more likely they'll be able to motivate them to take action — like buying a product. "Agencies of the future that win will have a disproportionate understanding of connected individuals coming together and how to connect with them," he says.

Ray also credits Morris of Aegis Media North America, the media management arm that oversees all the company's operating units, with creating an environment that breeds collaboration and innovation. Two years ago Morris reorganized Aegis Media NA's financial structure, putting in place a single P&L where before each operating company had their own.

"There was no incentive to collaborate," before the single P&L was implemented, Ray says. Now, there is, because senior executives across the company are compensated based both on the performance of their particular operating unit and Aegis Media NA as a whole. That change enabled Carat to make adjustments that help the agency, clients and other Aegis operating units.

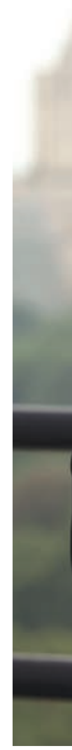
One example is the shop's approach to search. Carat used to have upwards of 50 search experts in-house. On the balance sheet, they're now employed by sister agency Isobar, even though they're housed at Carat and are dedicated full time to the agency's clients. The way Ray sees it they get better training at Isobar and serve Carat clients better as a result with those investment costs tagged to Isobar. The revenue the search people generate also goes to Isobar, "but that doesn't hurt me because of the new set up," Ray says. "They fit at Carat in an integrated team."

That's an operating model, adds Morris, that serves Carat and its sister shops within Aegis Media NA. "We've made part of the DNA of the culture here to deliver solutions with no silos."

As for the company's list of big wins this year, Morris asserts, "next year that will mean nothing. " The focus has to be, "how can we get better and how can we solve our clients' biggest problems. That's the ambition."

EXECUTIVE OF THE YEAR
MILES NADAL

THE POWER OF PARTNERSHIPS



Miles Nadal built MDC into $3 billion holding company by acquiring one partnership after another. In 2012, he tipped the scale, making him MEDIA*'s 2012 executive of the year.*

BY JOE MANDESE AND STEVE MCCLELLAN

Miles Nadal isn't exactly Madison Avenue's ultimate outsider, but he's close. The Toronto-born financier grew up in a two-bedroom apartment, didn't finish college, and financed his first business with a $500 advance on a Visa card. That was 1980. Today, MDC Partners is the eighth largest agency holding company in the world, with $3 billion in billings.

Always controversial, the 54-year-old Nadal's entrepreurial strategy has been to use debt to finance partnerships, or partial acquisitions, rather than the conventional approach of purchasing them outright. *MEDIA* named him Executive of the Year because that strategy has drawn so much attention, following a buying spree that included TargetCast (*MEDIA*'s Independent Agency of the Year, see p. 26) and RJ Palmer. As the company moves into its digest-and-reduce-debt mode, *MEDIA*'s Steve McClellan and Joe Mandese met with Nadal in his New York office, taking in his sweeping views of both Central Park and the media landscape.

This was a year of big acquisitions—TargetCast and RJ Palmer. What makes you want to buy a company?
We have always prided ourselves on our ability to identify opportunity. About three years ago, when Horizon Media started to really grow, as was our business, The Media Kitchen, I thought, good, there's obviously some niche not being serviced by big multinationals. So, we started talking to TargetCast. We were talking to Bill Koenigsberg at Horizon. Some things started to come together.

All of a sudden, there was an opportunity to shape this. So, between TargetCast and RJ Palmer, and then Doner, we had the real makings of a media business. We saw we could build a partnership-like culture, and make Maxxcom an entrepreneurial firm that looked at all aspects of media. It was the same way we did it with advertising, with public relations, and with direct response. Media was a great opportunity.

We've always been contrarians. And it helps that we don't have any legacy issues. It's given us an advantage to be able to build something in the media business differently today than you would have 10 years ago. There are a lot of interesting firms that are terrific and are growing very rapidly. They're not the biggest firms, but if they can help us differentiate our offerings, broaden our capability and expertise in industry or geography, or technologically, we're very receptive.

Other holding companies are investing a ton of money into new technology, to maximize clients' sales. What makes you special?
Everybody says, "I'm investing in technology, I'm investing in technology, I'm investing in technology." So, I ask a very simple

question, "What tangible results do your clients have to show for all the investments you've made?" You should have greater return on market investment. You should have better solutions that are more targeted. There should be less waste. I don't see it yet.

I think, by the way, partnering in new technology is, most of the time, more cost-effective, and has better results than trying to create it yourself. The most critical thing for us to get right is the people who know how to identify the trends, where the world is going. There's a famous expression about — there's this guy named Wayne Gretsky, he used to play hockey. I don't know if you know about this…

We know about him.

Gretsky always knew where the puck was going. And I don't think there's a lot of that at this point in time. If you're investing in all this technology, then you should be able to deliver better performance, better results, a higher return on marketing investment, or less money. There's got to be some combination of those things.

So, do I need to have $50 billion worth of billings to compete in the spaces we're in? No, not at all. I'm not trying to get the global Chrysler media business. There are four or five firms I know that beat themselves into the ground to try and get that business. We're going after areas that we think are not well served. That business will grow. And, over time, we'll get more and more share of market, which has really been our philosophy. Our organic growth is double or triple the rest of the industry. Our media business is growing faster than the rest of our business, and it's more profitable.

Does this model really hold up in terms of scale?

My fundamental belief is that we have sufficient scale to compete on any piece of business in our size, and to be able to deliver at least as cost-effective results in buying as anybody else. In the digital space or in the online auction space, we are as good, if not better, than they are, because it is run by entrepreneurial people who are always looking for that edge, who are trying to find that niche.

Service has become a big thing, as well. Clients want to be educated more. Clients, more and more, want more high touch, more involvement, to understand the changes that are happening.

Let's go back to this three-year-ago epiphany. Why did you think the time was right to move into media?

MDC needed to be mature and to get to a scale where we had a credible offering that people would believe in. We then needed to have enough scale that we could afford to invest and acquire and build on a platform. And you need the world to say, "As long as you're big enough that you can help us, we're receptive to doing more business with you. And, like I said, I just looked. I mean we've watched Steve Farella at TargetCast for a long time, and we've always looked with great admiration and regard for him. We've always been very close to Bill Koenigsberg at Horizon. And there are others. You know, there's room for everybody.

All we're trying to do is just get an incrementally larger share of the market. But it's a little deceiving. The market is a $200 to $250 billion dollar market in America, and we have 2 percent of that. So, if we could get two and a quarter percent, that's a lot of money.

So media levels the playing field for you?

Yes, we were at a competitive disadvantage. I think that's a very good point. We would not pitch an integrated offering, and that put us at a disadvantage.

How would that work now? Martin Sorrell put together a team to do an integrated offering across wire and plastic products. Is that what you're going to get to?

We do it now. We target. Our cross selling (I hate that word), or our integrated partnership model is the most effective in the industry. Because people actually want to work together. They don't work for us, MDC. Even if it's an MDC pitch, it's really a collaboration, a partnership.

So will you be more like a VivaKi in that sense, where you bill the best-in-class resources that everybody could share?

I don't know what other people are doing. We're trying to find areas where our investment is in differentiating our overall offering, but we have duplication. We should put the resource together so that we are

AGENCY OF THE YEAR

best in class, instead of having four fragmented pieces that are each doing the same thing. We're identifying those as we speak.

We can afford to be patient, because the firms individually are very successful, so every one of these modifications are going to make them more efficient. More importantly, I think it will enhance the durable competitive edge we have by having the best in class in an area, and probably higher in recruiting even better talent.

What about friction in the business, when taking business from one partner and moving it to another creates tension?
We make good on the differential. If you say to people, "You need a chief growth officer," and they say, "I can't afford it," I say "I'll hire the person for you. I'll subsidize that." It's the right thing to do. We're always making decisions, because we look at the long-term, and they manage to the short-term. All the time we say, "This is the right thing for the company and for your business." But, you know, people say, "Look, I gotta make my numbers. I can't just do that." I say, "Fine. You go ahead and do that. I'll pay for the first year." And we do that all over the place. That's a very different model than anybody else in the other organizations, because they say, "Well, you've got to find the money."

The reality is that you want people to look long-term.
We're trying to do what would be in the collective best interest of the organization.

In our organization, people work collaboratively. Target Cast and RJ Palmer? They are happy. The economics are beneficial for everyone because you don't want to have winners and losers. That's not a good culture. If there's a conflict, one refers to the other. Our partners want to see the overall partnership win, but they also want to see the individual partners win.

"WE'RE NEVER GOING TO BE THE BIGGEST FIRM IN THE WORLD. WE DON'T WANT TO BE. WE WANT TO BE KNOWN AS A FIRM THAT DOES GREAT WORK."

Miles Nadal
CEO, MDC Partners

You've always been in the media services business through your agencies.
Yes.

How much of your portfolio is in media? And how much do you think it will be, going forward? Will you be spending more of your investment capital in media?
Absolutely, more. Let me think about this for a second. It's probably between 12 and 15 percent of our revenue. It's probably $150 to $200 million dollars in overall media. It will be 25 percent.

So, how big do you want to get in three years? Or is that the wrong question?
Financial results are a byproduct of excellence. So, if the industry grows 5 percent, we'll grow 10 percent or 15 percent. We'll always grow double or triple the industry, if we can keep finding great people and great companies, and help our clients grow. It's not scientific.

What makes MDC tick, says Nadal, is the way its coast-to-coast partners work together

When people set arbitrary financial targets, they inevitably do something big and dumb. Always. That's how Time-Warner and AOL got together. "Oh, we want to be big!" That wasn't good value creation. You've got to think of how we can continue to differentiate ourselves.

We're never going to be the biggest firm in the world. We don't want to be. We want to be known as a firm that does great work as a culture, where the most successful entrepreneurial people work and they love what they do. And these people, we really care about our businesses. They really are our partners. They really are focused on driving results for us.

Horizon Media would make a great combination with you guys.
I've been talking with Bill for the longest period of time. I think he's a spectacular entrepreneur. He's an extraordinary businessman. And he's one of the most likeable guys in the world. But who knows? Bill is a very successful and independent-minded media executive.

There will be competition, if he decides to sell.
Yes. And I don't know what other holding companies will do. I don't know what works at WPP, because I don't know what their strategy is. I don't know what works for Maurice [Levy, CEO. Publicis Groupe], or for IPG. I know what works for us. You've got to be true to what works for you. I think where companies run into difficulty is if they amend their strategy because they say, well, that guy is going to get it, or this one is going to get it. I'd sooner do nothing than do something outside the boundaries.

The one good thing about doing this for 32 or 33 years, we're pretty firm about what we do, and why we're going to do it, and why we won't. Now, we're acquiring people and we're growing our business organically. We are aggressively winning new business all over the place. We're having the best year in the company's history of new business wins. What you realize is that it's a long game.

AGENCY OF THE YEAR

MEDIA AGENCY HOLDING COMPANY OF THE YEAR

WPP

Change Agent

The global giant isn't just transforming the media services industry, it's also yanking the supply chain

BY JOE MANDESE

In recent years, these awards have recognized a shift that has been taking place in the way innovation occurs inside Madison Avenue's major media organizations, moving from decentralized media services operating units, to their bigger, more centralized and better resourced holding companies. The logic seems to be that holding companies are in a better position to leverage both internal budgets, and the relationships with outside suppliers and other industry stakeholders to develop tools, resources, business models and practices that would benefit their operating units and the clients they service.

And that is one of the main reasons we have given so much focus to organizations like Interpublic's Mediabrands, Publicis' VivaKi and WPP's GroupM, because, when it comes to innovating the media marketplace for advertisers and agencies, that's where all the action has been. But this year, we're going a little further up the food chain and naming an overall holding company — WPP Group — because of the disparate efforts of its operating units within the holding company, including GroupM, tenthavenue, and 24/7 Real Media/Xaxis, to transform the media services industry and its supply chain.

What makes WPP's achievements so remarkable is that it has managed to foster so much industry change, and yes, even collaboration, while exerting such a proprietary approach to the media marketplace. Unlike the other major holding companies who profess to be transparent, "open source" cultures, WPP's operations are all about exclusivity and proprietary advantage. Still, the people who run it understand the value of collaboration when it helps move the industry, including peers and competitors, in a direction that will benefit its agencies and clients.

One of the best examples of this happened a couple years ago, when WPP's GroupM unit broke a major impasse in the network TV advertising marketplace, by championing a compromise solution for Nielsen's move to time-shifted audience viewing, creating the so-called C3 metric that is the established currency of the national TV advertising marketplace. Over the past year, GroupM and sister units tenthavenue and Xaxis exerted similar influence on the media marketplace to move the industry forward in ways it believes will benefit itself and its clients.

Among other things, GroupM has been a key behind-the-scenes player working with Nielsen on the development of its so-called XCR, or cross-platform ratings, which Nielsen executives want to establish as the advertising trading currency for media buys crossing TV, online, social and mobile media.

"If GroupM's early runs are indicative, I don't think the others will even hesitate," Nielsen CEO David Calhoun told investors during the media and marketing research giant's third-quarter earnings call. Calhoun indicated that the influence of GroupM would be essential to establishing XCR as a Madison Avenue trading currency, noting that while media companies such as ESPN and Hulu have been championing it, the decision to base advertising deals on it was up to media-buying agencies, and GroupM is the biggest and most influential one.

That WPP has such as cozy relationship with Nielsen speaks volumes about how pragmatic it is in its approach to influencing industry change. One of Nielsen's biggest competitors in the marketing and media research industry is another division of WPP, Kantar, which while a significant player, doesn't represent the standard bearer of currency that Nielsen does, which is why its agencies work so closely with Nielsen to foster change.

While marketers have been the main focus of another Nielsen push to make its Online Campaign Ratings the currency of the online media-buying business, WPP has also been a big supporter of that push. Nielsen executives assert that thanks to that, the OCR service is now reaching the "tipping point" of becoming a currency.

Xaxis' Online Domination

Not everyone agrees with those assessments. However,the point is that when it comes to marketplace metrics, Nielsen and WPP both understand that nature abhors a vacuum. Without a common currency, it's difficult for marketplaces to be organized for buyers and sellers alike.

That same logic has led to similar marketplace innovations by WPP agency trading desk unit, Xaxis. While it has been criticized by peers for its proprietary approach to online audience-buying and programmatic trading, especially its investments in its own technology stack and data analytics systems, there is no question that Xaxis is the biggest and most influential player in the online media industry.


WPP CEO Sir Martin Sorrell

WPP'S OPERATIONS ARE ALL ABOUT EXCLUSIVITY AND PROPRIETARY ADVANTAGE. STILL, THE PEOPLE WHO RUN IT UNDERSTAND THE VALUE OF COLLABORATION WHEN IT HELPS MOVE THE INDUSTRY.

It's so influential, that when Facebook began developing its own real-time bidding marketplace, the Facebook Exchange, Xaxis was the only agency trading desk invited to participate in both its alpha and beta programs.

"We were the only agency invited to participate, and it's because we do develop technology," asserts Brian Lesser, the CEO of WPP's Xaxis unit. "I'm not going to say that everything we use is our own and built by us, but it is significant that we have our own data management platform, which is the foundation of how we provide value to our clients." Aside from differentiating Xaxis from its peers, which generally use an "open" sourcing approach that relies on technology developed by third-parties for data, analytics, and exchanges, Lesser says, it gives Xaxis and its clients a competitive advantage in terms of marketplace intelligence.

"If you listen to my boss [WPP CEO] Sir Martin Sorrell talk about new media and new markets, it's all about the ability to leverage data to produce consumer insights. And certainly, Xaxis is square in the center of that," Lesser says, noting that while the trading desk is typically recognized for its ability to buy cheaply and at scale, it is really its ability to "perform" based on its superior insights and analytics that sets it apart from other agencies.

As a result, Lesser says that the 300 billion impressions it will serve this year, make it about three times the size of its next closest agency trading desk competitor. And part of that comes from the fact that it is the only truly global trading desk, operating in 25 countries this year, up from 11 last year. Along with that market expansion, Xaxis has also grown its client roster to about 1,000 marketers, up from only 400, making it far and away the biggest player in online audience buying.

Because of its scale, and its ability to take risks, Xaxis differentiates itself in another big way from its competitors: It is the only agency trading desk that publicly acknowledges that it arbitrages online audience buying, meaning it buys audience impressions in bulk based on where it can identify the most marketplace demand, and resells the inventory for a profit.

That approach, while controversial, is completely transparent with Xaxis' clients, and it affords the agency several advantages over its competitors, including the ability to make higher margins that it uses to fund the technology it develops to create superior online audience-buying systems.

Lesser says those deals don't come without risk, and it is Xaxis ability to take such risks, and occasionally get left "holding the bag" with some online audience buys that it isn't able to resell back to clients, that makes it unique in the marketplace.

The approach has enabled Xaxis to innovate in other important ways that are helping to attract more "premium" inventory from publishers who might not otherwise participate in programmatic trading. Specifically, Lesser says Xaxis innovated the marketplace by developing the concept of "reserve programmatic" audience buys, which are basically private exchanges between Xaxis and premium publishers who would otherwise be reluctant to release their inventory into a biddable, auction-based marketplace for fear it would end up discounting the value of their inventory. The trade-off is that publishers who participate in Xaxis private exchanges, agree to sell their inventory to Xaxis for a guaranteed discount, and allow the agency to target ads at specific users as opposed to just placing ads based on the context of the publishers' pages.

Rethinking Out-of-Home

It was with a similar spirit that another WPP unit, massive out-of-home, mobile and experiential marketing division tenthavenue, set out to reorganize the out-of-home media-buying marketplace, utilizing an almost identical approach that it has used for the online industry.

Specifically, tenthavenue unit Spafax began by creating its own "DSP," or demand-side platform for buying digital out-of-home media early last spring. Then it began using the massive media-buying leverage of tenthavenue units like Kinetic (the largest buyer of out-of-home media in the world) to begin organizing the data necessary to buy audiences in out-of-home media, the way agency trading desks like Xaxis do online.

WPP's goal: Leverage data to produce consumer insights

It started in October by once again working with Nielsen to develop a new index for measuring, planning, buying and posting the value of digital out-of-home network media buys. The new index, which will be built on top of Nielsen's existing On-Location service, will incorporate sophisticated consumer segmentation data from another consumer media behavior data supplier, GfK MRI, as well as lifestyle and media consumption data from the Media Behavior Institute, which is partly owned by Nielsen and GfK MRI.

The new index, which will enable advertisers and agencies to identify a digital out-of-home media buy "down to the sub-block level, based on longitudinal and latitudinal coordinates," says Spafax Executive Vice President Patrick Bonomo, is a crucial next step for the industry, as well as Spafax's development of an exchange-based approach to digital out-of-home media that will replicate what has been evolving in the online display advertising marketplace.

In essence, Spafax's Bonomo, and veteran of the online media industry, has begun replicating the online industry's infrastructure for out-of-home, creating the opportunity to buy out-of-home audiences in a biddable, real-time marketplace just like online media.

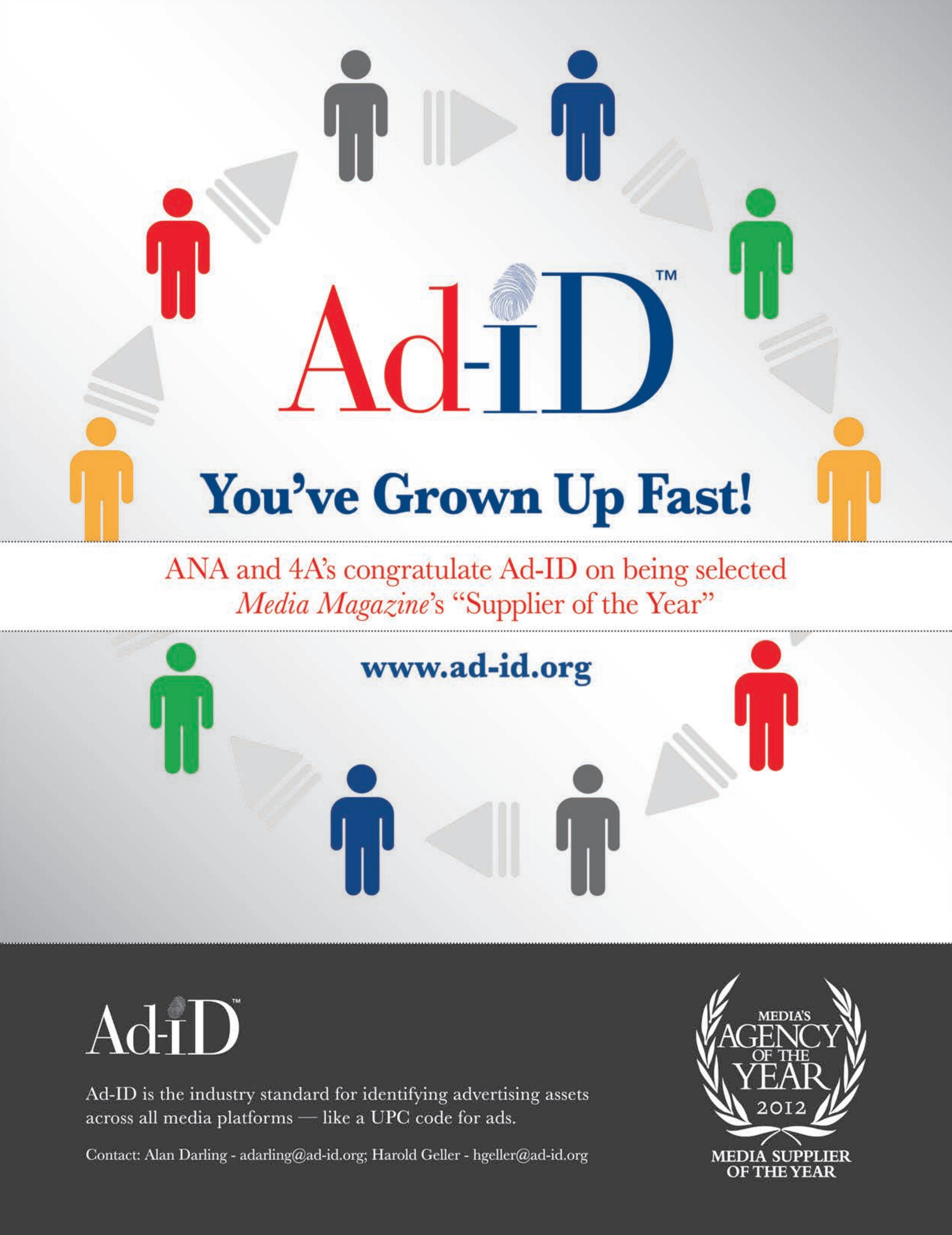
While out-of-home may not have the kind of audience targeting data that online user cookie profiles represent, Bonomo said it has other valuable data, especially geographic navigation coordinates that can be used to pinpoint a consumer's lifestyles and behaviors based on physical locations.

"Everything we are focused on is API-driven," Bonomo explains, referring to the acronym for an applications programming interface that enables third-party developers to access data or write computer programming code to interact with or enable applications tied to another platform's computers. Because digital out-of-home networks utilize essentially the same infrastructure as online media — a computer serving content and/or advertising to a screen — Bonomo says he believes such APIs will enable Spafax and other agencies to access data directly from digital out-of-home network screens down to the "longitudinal and latitudinal coordinates."

The implications of that infrastructure go well beyond media-buying, and will ultimately impact creative, as marketers gain the ability to target specific messages and creative formats to consumers in specific locations.

The last key component of out-of-home's new infrastructure is an online exchange where agencies can access and bid out-of-home inventory the same way they do online. Spafax also helped some online industry vets develop a similar model, incubating Vistar Networks, which is the out-of-home industry's equivalent of an online audience buying exchange.

True, many of WPP's disparate moves to reorganize and innovate the media marketplace are based on the self-interests of its agencies and its clients, and play into its own proprietary systems and business models. However, they also have the effect of advancing the industry for all its peers and suppliers, achieving some of the major criteria *MEDIA* magazine seeks to recognize in these awards: strategic vision, innovation and industry leadership. M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MEDIA'S
AGENCY
OF THE
YEAR
2012
MEDIA SUPPLIER
OF THE YEAR

AGENCY OF THE YEAR

Dogg Food: a recent commercial for Pedigree. (Or not. We can't be sure — they didn't use Ad-ID.)

MEDIA SUPPLIER OF THE YEAR
AD-ID

THE ULTIMATE AD ORGANIZER

It may not be a glamorous job, but *somebody* had to figure out a way to keep track of the world's billions of bits of advertising. Here's to the AAAA and the ANA for finally helping Adland sort itself out. **BY DOUGLAS QUENQUA**

To understand why the world needs Ad-ID, consider the legend of Donut_15. (All names are withheld to protect the embarrassed.) In 2010, a major broadcast network received an e-mail from a media agency containing a commercial labeled Donut_15 that was supposed to run on the network's digital platforms. It was a new version of an ad that had already run on the TV network itself.

Unfortunately, the digital version was no good, so the network went in search of a better copy. But they couldn't find any Donut_15 in their library, and the digital agency connected to the account had never heard of it, either. Going by the name, the network started searching and asking for any 15-second spots about donuts (Dunkin Donuts? Entenmanns?), but to no avail.

After thirty minutes of confused phone calls and head scratching, the network discovered the problem: Donut_15 was not a 15-second spot about donuts. It was a 30-second car commercial in which an office worker on his way to a meeting takes an action-filled detour to pick up — wait for it — donuts. The "15" indicated that it was the 15th take of the shoot. The network had a high-quality copy of the ad in its library all along, but because it was labeled differently, nobody could find it.

It's mishaps like these — to say nothing of networks airing the wrong commercial, or vendors waiting on payments for ads that seem to disappear — that spurred the development of Ad-ID, a digital identification system that provides a unique code for every piece of advertising. Like the UPC system for retail products, Ad-ID lets agencies, media companies, distributors and vendors tag every advertising asset so it can be tracked seamlessly through the supply chain.

"It provides every ad that's created with a unique code that carries through from time of inception to whatever media it crosses into," says Duke Fanelli, SVP of marketing and communications for the Association of National Advertisers, which collaborated with the American Association of Advertising Agencies to create Ad-ID. "An advertiser, agency or media company can track where that ad is at any given time, and nobody's renaming it. It's a unique code that only one ad will ever have."

Though it was introduced 2003, it was in 2012 that the boards of directors of both the 4As and the ANA voted to make Ad-ID the industry standard for all advertising asset coding, effective January 2014. That's one reason that MediaPost has named Ad-ID — the company jointly created by the ANA and 4As to provide and promote the system of the same name — as Supplier of the Year.

Of course, ad identification is not a new problem. But in an era of proliferating platforms and splintered media, it is an increasingly complex and expensive one.

The previous ID system, ISCI (International Standardized Commercial Identifier), is a relic of a time when there were three television networks and no such thing as advertising on a phone, much less on a tablet or in an elevator. Today, an ID system has to track an ad through multiple formats and endless subcontractors, making it possible for advertisers not only to keep tabs on their assets but measure their performance once those assets are in the marketplace.

Selling agencies on Ad-ID's efficiencies

"This isn't just about the wrong ad running," says Harold S. Geller, chief growth officer at Ad-ID (and source of the Donut_15 story). "I look at operations, administration, measurement and residual management — these are all areas that are becoming more complex." Indeed, supply chain inefficiencies like poor identification cost the ad industry somewhere between $1 billion and $3 billion a year, according to the ANA.

As they grow tired of those costs, more and more advertisers are getting on board with Ad-ID — more than 800 agencies and brands now use the system. But adoption is still relatively low. Only 41 percent of television commercials, 12 percent of radio ads and a negligible number of digital ads are currently affixed with Ad-ID codes.

What's stopping the rest of the industry from adopting the system? "The resistance is about change," says Geller. "People look at what they do in a silo, and there's a resistance to doing things that may be a benefit to others when you think that what's going on in your

own silo is just fine." Many shops use their own systems for identifying ads and never see the problems those systems cause once the ads go out the door.

But Brad Epperson, VP of commercial operations at NBCUniversal, says that advertisers and agencies are ultimately costing themselves more money by refusing to switch. There's a lot of non-value-added work in trying to suss through duplicates," he says. But as long as companies further up the supply chain continue to use their own labeling conventions, media companies like his must continue to spend time and money to prevent different assets from being confused.

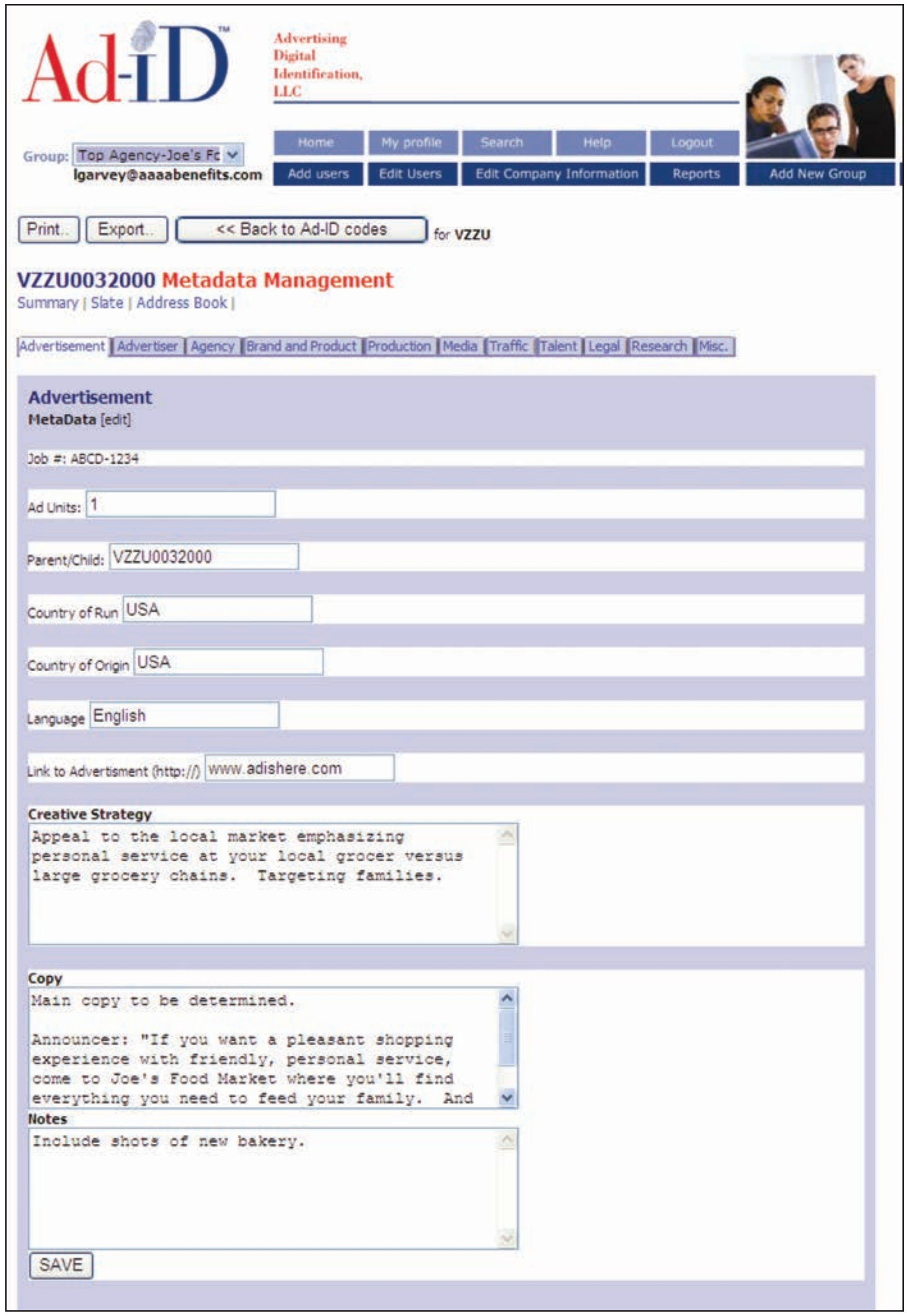
SUPPLY CHAIN INEFFICIENCIES LIKE POOR IDENTIFICATION COST THE AD INDUSTRY SOMEWHERE BETWEEN $1 BILLION AND $3 BILLION A YEAR, ACCORDING TO THE ANA.

"We do a lot of work on our end to attempt not to have that happen," he says, "but if there were a clear identifier like a unique Ad-ID from the get-go, we would not have to do so much diligence to verify the integrity of our commercial content." Advertisers who do business with NBCU will soon find links to the Ad-ID site on its guidelines page, part of the network's efforts to encourage advertisers to adopt it.

Of course, unlike in-house coding systems (most of which rely on some combination of old habits and improvisation), Ad-ID costs agencies money. The start-up fee for an agency is about $500. From there, each individual code costs $40, though after an agency spends $1500 on codes in a single year, all subsequent codes for that year are free.

There is also the headache of learning something new.

"Like all things new, the transition was bumpy at first," says Ginny Sharp, director of broadcast operations at



WMRKMedia, a broadcast trafficking agency based in New York. "Agencies were apprehensive about asking clients for fees on something that had never been billed before. But eventually, as everyone was educated on how the system would provide more than ISCI code assignments, the transition became much smoother." Now, she says she couldn't envision doing business without it.

With a little luck and persuasion, it is the ANA's hope that the rest of the industry will soon feel the same. "Obviously we can't legislate" the adoption of Ad-ID, says Fanelli. "But some of the largest advertisers and agencies in the country are now realizing this is where we need the industry to move."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AGENCY OF THE YEAR

INDEPENDENT MEDIA SERVICES
TARGETCAST

The agency's innovations helped client Expedia develop more precise audience targeting

A BIG GUN FOR SMALLER BRANDS

Despite its acquisition by MDC this year, TargetCast is maintaining its scrappy devotion to challenger brands.

BY STEVE MCCLELLAN

New York–based TargetCast is *MEDIA* Magazine's somewhat ironic selection for 2012 Independent Media Agency of the Year. While no longer technically independent, the agency has remained so in spirit and direction. Over the past year it continued to foster industry influencing innovations including building new go-to-market tools and platforms and creating a brand-extending subsidiary that broadened the shop's reach.

Even the decision in March by its partners Steve Farella, Audrey Siegel and Steve Minichini to sell a majority of the agency to Toronto-based marketing services holding company MDC Partners was driven by what they believed would be the best way to serve advertisers in a constantly changing media landscape.

In fact, part of the decision to select TargetCast was based on who the partners decided to link up with — MDC is probably the most entrepreneurial of the holding companies in Adland, with a different approach than most of its competitors. In 2012 it made a huge bet on media, buying several firms and reorganizing most of its media assets under a new management arm, Maxxcom, which is led by Farella. The unit is already driving synergistic new business techniques that benefit all of the shops under its purview while Farella is developing a new go-to market approach that will be unveiled in early 2013.

Founding CEO Miles Nadal (who is, not coincidentally, our choice for Media Executive of the Year; see page 14) and his management team at MDC insist that the managers of the shops the company acquires retain their entrepreneurial approach while collaborating with sister agencies in ways that benefit clients.

And TargetCast wouldn't have it any other way. To hear the agency's leaders tell it, they intend to retain the mix of independence and, entrepreneurial spirit that enticed MDC to make an offer in the first place.

The deal was years in the making. "We dated for two years," quips Farella, who founded TargetCast in 2002 with Siegel. Minichini joined as the third partner in late 2009 when TargetCast acquired the digital agency he founded, Triumph360.

Siegel says that during the lengthy courtship with MDC, the three TargetCast partners thought long and hard about agency's future direction. Ultimately, says Farella, three factors made the tie-up with MDC viable: the MDC business model, the holding company's commitment to media and "the opportunity to find other assets that we didn't have internally." He describes the fit as "natural … They have over fifty separate agencies that all collaborate together and that's a fabulous model for TargetCast."

Siegel concurs, adding, "Clients didn't tell us that something was missing. But we don't just solve media problems. We solve business problems with media and communications solutions." Siegel noted work the shop is doing for spirits client Illva. "We're conducting attitudinal studies in seven countries, which is not usually the purview of a media agency," she says. "But it is the purview of a business partner. All agencies think about the consumer. We take it to the next level."

Making Measurement More Relevant

The agency also turned consumer insights into more precise and client-relevant audience measurement in 2012. The agency's research department developed a proprietary fusion model that married client-customer data with Nielsen respondent level ratings, creating specific program target audiences based on client planning and not just the age/sex demographics offered by TV networks. Longtime client Expedia applied the approach in 2012. Other clients will use it in 2013.

Inevitably, Siegel says, client business problems will become more complex over time. And each of the agencies at MDC present a potential solution.

Will the link to MDC change the profile of the typical TargetCast client? Siegel says no. The agency's mission has always been and will continue to be serving what she calls "strong independent brands," with a "high touch" offering that includes a mix of top-notch strategy and implementation, senior level talent, deep-dive data analytics.

And while TargetCast has an in-house digital operation led by Minichini, synergies with MDC shops such as Varick Media Management, the digital media trading platform, help differentiate TargetCast.

Pre-MDC, TargetCast used many different demand side platforms to help it implement its philosophy and approach to the digital marketplace, says Minichini. "We were going from DSP to DSP to cherry pick the technical overlay" in pursuit of precise target audiences, he says. Now TargetCast links to Varick's system. With the Varick connection, along with a few select DSP links and its own proprietary optimization tools, TargetCast has a digital media trading program that is unmatched in the marketplace.

"Clients didn't tell us that something was missing. But we don't just solve media problems. We solve business problems with media and communications solutions."

AUDREY SIEGEL

Minichini's operation within TargetCast had a busy year in 2012 winning accounts — such as the digital AOR for client Pfizer Consumer Care — and innovating on its own. His team developed tools to help clients acquire both online and off-line media more efficiently. Other platforms were developed for dynamic ad insertion and social media monitoring.

One new tool lets sellers put inventory offers into a computerized system. After a series of negotiations the agency pares down the competitors to a couple of finalists-based on both the quality of the media offered and the price. Then finalists are brought to the client for selection.

Opportunistic Buys

Another platform called HotSpot, invites media sellers to offer premium but unsold inventory packages that have to move quickly at reduced rates. The HotSpot platform, Siegel insists, is not meant for remnant inventory, which implies low quality. "We bought Olympic spots in the top 10 markets for half the normal rate," she says. "We hold back dollars with client approval and wait for those opportunities to get the right consumer in the right place and time and at the right cost."

The agency also launched a new business called TargetCast Inside, which is designed to provide regional creative shops with media capabilities to help them reel in or retain full-service accounts.

And Inside has been a significant revenue generator for TargetCast. Farella says that all of the new business from the Inside division combined would rank as the fifth-largest revenue-generating client within the broader agency. "It's really worked out well for us," he says. "It's our existing product repositioned for the creative agency marketplace and it provides us with incremental reach."

Meanwhile, the agency posted over 15 percent revenue growth in 2012, a mark that it has achieved consistently since its founding a decade ago. "Each year has been better than the last," Farella says. In addition to Pfizer, as well as Land's End and Lockheed Martin via its TargetCast Inside subsidiary, it's also gotten new assignments from Deutsche Bank and DWS Investments.

And while the new accounts help to drive positive financial performance, "more importantly we've kept all our existing clients happy," says Farella, noting that the agency hasn't lost an AOR account in the 10 years TargetCast has been in business. "The secret sauce to growing the business is to not have a leaky bucket," he says.

"The strongest measure of client happiness," adds Siegel, is additional work, Pfizer's digital assignment being a prime example. "We started with them in 2004," she notes.

And 2013 is expected to be another record year.

Not bad for an agency that started with two people, a computer and an idea about how to serve the media needs of challenger brands more effectively and efficiently. In 10 years the agency made one acquisition, Minichini's Trimuph360, when it became clear clients were going to need a lot of help navigating and innovating amid the digital marketing shoals, and that Minichini & Company had the talent to deliver.

"We started from scratch," says Farella. "And we did it on our nickel. There were no backers, no investors, no stock market. No nothing except our money and a lot of guts."

And, adds Siegel, dedicated employees and sticky clients who believe in the TargetCast vision, past, present and future.

FULL SERVICE AGENCY

HILL HOLLIDAY

Full Service, Full Throttle

Once again, Hill Holiday takes top honors for doing it all, and doing it right.

BY CARRIE CUMMINGS

Some 200 miles north of Madison Avenue, full-service agency Hill Holliday sticks out as a Brahmin among other prominent agencies in the land of bean and cod. Founded in Boston in 1968, the Interpublic Group company now has offices in all the major U.S. advertising hubs — New York, Miami, San Francisco — and even one in Greenville, S.C.

Since its 1998 acquisition by holding company Interpublic Group, Hill Holliday has maintained its integrity as a full-service agency focused on strategy, execution and superb creative for its full roster of clients, ranging from insurance agencies like Harvard Pilgrim Health and Liberty Mutual to familiar American eateries like Chili's and Dunkin' Donuts to financial management companies like Merrill Lynch and Bank of America. It goes without saying that Hill Holliday's clients are as diverse as the services they offer, forcing the full-service agency to be full-service in more ways than one.

Just as Hill Holliday is firmly rooted in Boston, so is one of their biggest clients: Dunkin' Donuts. In fact, it's the work they've done for Dunkin' that has earned the agency some of their biggest accolades — including many from MediaPost. Hill Holliday chalks that up to the fact that Dunkin' Donuts lets the agency to be innovative and creative.

"The Dunkin' Donuts clients are incredibly open to innovative solutions across all channels and as a result, we've had successes like Dunkin's branded content partnership with The Sims Social and Sim City games," explains Cindy Stockwell, EVP, media director at Hill Holliday. "Our cross-channel program with ESPN's Field Pass segment where we have on-air, on-set and second-screen social elements; and an innovative approach to Facebook fan acquisition and fan engagement that is at the heart of our digital media plan."

But unbridled creativity usually has limitations when implementing a media plan. Not so at Hill Holliday. Being a full-ser-

IN 2013, LOOK FOR REAL-TIME BUYING AND SOCIAL INTERACTIONS TO MOVE TO THE FOREFRONT OF MOST CAMPAIGNS

vice agency allows Hill Holliday to thrive in a way that removes the red tape most agencies deal with when working on campaigns.

"From a creative standpoint, it's a really holistic approach. At the end of the day, it not only saves time — it makes the ideas better," says Lance Jensen, EVP, chief creative officer at Hill Holliday, "I think most clients would agree. Having everyone on the same team is a win for everyone. We never have to limit ourselves wondering, is this even possible, or wait forever for feedback because our media colleagues are literally sitting beside us in the client meetings."

The Analytic Advantage

A major draw for potential clients is that the agency has developed and uses sophisticated analytics to better understand the impact of their creative and media buys.

"We apply advanced analytics to measure effectiveness of our creative and media plans, and we are constantly innovating so we can offer clients opportunities in emerging technologies," Stockwell explains. "This led us to establish one of the first RTB teams at a full-service agency; and to launch Project Beacon to identify and partner with start-ups that can offer unique testing opportunities for our clients. And we've built a best-in-class content team that focuses on developing longer form and immersive consumer experiences for our clients' brands."

In order to keep clients happy, however, you need a strong team — really, you need a happy team. And that's also an upside for full-service Hill Holliday. Because the departments work so closely, there are fewer surprises (and less infighting) than at other agencies.

"From a media person's perspective, being in a full-service agency gives us total freedom to ideate in any area and not be pigeonholed into a media silo," says Stockwell. "We are part of a team that is focused on putting creativity to work in moving a client's business forward. So many of the ideas that the agency brings forth for our clients are a total blend of media and creative."

The year ahead looks just as bright for this agency upon a hill: real-time buying and social interactions will be on the forefront for most campaigns across the board.

"We see a strong movement into further real-time, technology-based buying in channels outside of digital and in private marketplaces within digital," says Stockwell. "We are seeing social interactions move from campaigns that live in a moment to much more frequent, light-weight interactions that are created and optimized by listening to social commentary and actions."

AGENCY OF THE YEAR

FORD GOES FURTHER

How reengineered marketing — including location-based ads, mobile and smarter social — are bringing this battered brand back from the brink. **BY SARAH MAHONEY**

If Americans have always loved an underdog, then Ford has been on top for decades. Even before its current renaissance, or the automotive near-apocalypse that sparked it back in 2008, the brand was an epic loser, often referred to as Fix Or Repair Daily.

"We'd been going out of business for 10 years before I got here in 2007," Jim Farley, Ford's group vice president of global marketing, quipped while addressing an American National Advertisers meeting last fall. However, the company's 2008 decision not to accept government bailout funds shifted consumer perception of Ford from crappy to scrappy. "When we told people we didn't need help, we became even more of an underdog, and people started rooting for us."

What's won consumers over, though — and the reason *MEDIA* has selected Ford as Client of the Year — is that in 2012, many of the change-or-die initiatives set into place in the grim post-2008 era are paying off, showing just how committed Ford is to a bumper-to-bumper reinvention.

Consumers see it, too. Ford shot up to 39th place in the Brand Keys Loyalty Ranking this year, up from 86th last year, says Robert Passikoff, founder and CEO of Brand Keys. The rapid rise is because "Ford has the ability to meet the ever-increasing level of

With Fusion, Ford hopes to take the American garage back from Toyota's Camry

"WITH SO MANY COMPARABLE CARS, CONSUMERS ARE NOW MAKING DECISIONS BASED ON EMOTIONS AND WHAT THEY SEE AS INNOVATIONS, AND FORD HAS DONE VERY WELL IN COMMUNICATING THOSE."

ROBERT PASSIKOFF
BRAND KEYS, FOUNDER & CEO

expectations that consumers have for brands. With so many comparable cars, consumers are now making decisions based on emotions and what they see as innovations, and Ford has done very well in communicating those."

Rebuilding the Marketing Engine

The critical change, Farley told the group, was a willingness to rethink just about every aspect of marketing. "We were spending 10 percent of our entire budget just to produce spots. So we made a commitment to eliminate waste, and cut our production budget in half. Whatever we saved, we put into consumer-facing media," he says. "And we got input from all around the globe. Maybe mobile best practices come from India, or social from China. Everyone listens to each other, and it's been so rewarding."

A closer look at how consumers buy cars led to a closer look at launches, normally a secretive affair, and turning it into its own version of crowdsourcing. Inspired by the way videogame and movie marketers would prelaunch products with journalists and bloggers, it did the same. "We used social so people could opt in, and we can show the product a year ahead of time. Now we have time to react. We know what colors they like. And this slow burn lets you build momentum."

Using that approach for the Fiesta, "we had 60 percent nameplate awareness before we ran one traditional ad, and we had spent nothing — that showed me the power of social media. We now have scaled that for all our launches, spending 20 percent of the budget on the prelaunch phase."

Another incredible act of rule-breaking, of course, was its controversial "Go Further" spot this year — 60 seconds of advertising that never once revealed Ford's name, or even its logo. Instead, it asked viewers to check out GoFurther.com, all part of the effort to prove to consumers the brand is willing to take that spirit of reinvention to just about any level.

The Sedan Strikes Back

But perhaps its biggest play is the Fusion, an attempt to "take the American garage back from Camry." Midsize sedans, which account for roughly a quarter of auto sales, have typically been kind of a snooze for car lovers. So Ford created fun campaigns, including its Random Acts of Fusion, giving one person 100 Fusions, which then needed to be given away. The story unfolded online, with Ryan Seacrest, as well as Joel McHale and Kate Micucci in documentary-style videos.

And it has found smarter approaches to consumer segments, like lasering a Fusion out of a block of concrete during the recitation of the late Tupac Shakur's "The Rose that Grew from Concrete," aimed at African-Americans. Or Red Bull-sized cup holders in Ford Fiestas. Or the Mustang Customizer on Xbox.

And, of course, there's the much-buzzed about retooling of the Lincoln brand, starting with its new MKZ.

Each initiative, though, addresses the issue of shopping for cars, including talking about cars with others. "The key thing for us is location-based advertising. So, for us, mobile is going to be very transactional, and we have to have a creative design that works on all devices."

Social media is a component of each effort, "which means you've got to listen. And listening is the one thing that has allowed us to transform our brand."

And beyond its marketing achievements, Ford is also making news by making money, something that's been scarce in Detroit: In its most recent quarterly results, Ford's operating margin in North America was 12 percent, the highest since the company began breaking out regional margins in 2000, reports the *Detroit News*. GM's was 7.8 percent, down 2.2 percentage points from the same period a year before. And Chrysler, which does not break out margins by region, reports an overall 4.6 percent operating margin.

BEST AGENCY UNDER $1 BILLION

To help this fragrance ad stand out in the Biebersphere, The Media Kitchen started with a spot on Glee, followed with a Twitter chaser; below, pushpin portrait of Kanye West, by Andre Woolery of TMK

If a good friend or respected colleague were to ask me to recommend a good place for their son or daughter to start a career in the advertising business, I would probably recommend any of the organizations being recognized in this issue. But if one of my own children were to ask me, I would tell them to try and get a job at The Media Kitchen. The reason is that it has one of the best cultures for understanding the future of advertising and media, and is organized in as likely a way as I can imagine to achieve it, or at the very least, in a way that will enable the people who work there to participate in it.

I'm not alone. When the agency pitched the media services account for financial services giant Goldman Sachs in early 2012, it won the business after just one meeting. The agency it beat was WPP's Mindshare. I repeat, Mindshare. The reason, recalls, TMK Chief Digital Officer Darren Herman, "is they loved our ethos and our ideas for how we look at the future."

The reason for that, says TMK CEO Barry Lowenthal, is because of people like Darren Herman, who joined the agency in 2007 with zero experience in either advertising or media services and has helped transform TMK into one of the most forward -thinking media organizations on Madison Avenue. That's right, zero experience in the ad business. That's often the prerequisite job description for important jobs at TMK. In the case of Herman, he was a digital native entrepreneur — one of the founders of IGA (In-Game Advertising) who made a small fortune when it was sold, and only pursued a role in the advertising business when his dad suggested he had better find a day job to keep himself busy, and as luck would have it, he had already made the acquaintance of Lowenthal while he was at IGA, and Lowenthal just so happened to be looking for a head of TMK's then nascent digital operations. So nascent, in fact, that the agency basically wasn't buying any digital media. Five years later, TMK ended 2012 with about 60 percent of its billings coming from digital media.

To some extent, that philosophy of staffing eclecticism was

Stirring It Up

The Media Kitchen owes its success to eclectic staffing, strategic insights and a thoroughly entrepreneurial culture

BY JOE MANDESE

Since TMK launched Arby's burger grease Mona Lisa back in 2009, the video has gotten more than 1 million views

started by Lowenthal's predecessor, Paul Woolmington (now at Naked), who preferred recruiting people without any advertising or media experience, but who were creative thinkers with diverse backgrounds. You can still see remnants of Woolmington's original culture hanging overhead in the Kitchen's offices in Lower Manhattan — actual pots and pans connoting that it literally is a kitchen for cooking up big ideas. And the staff still call themselves "chefs," but Lowenthal has broadened the composition and the focus of the team to think more broadly about media.

In fact, if you walk through the offices of TMK's sister agency, creative shop KBS&P, you might spot a portrait of Kanye West hanging on a wall. The portrait, which was created entirely with colored pushpins, was created by Andre Woolery, digital synthesis director by day at TMK, but an up-and-coming fine artist by night.

If you ask Lowenthal, it is the sum of the people, not the organizational plan, that define TMK's culture and are what set it apart.

"When we were looking for a head of digital, the first person I thought of was Darren," recalls Lowenthal, adding, "He had never worked in advertising before and he'd never put together a media plan, but he was the most visionary person I knew, and he got on the bus."

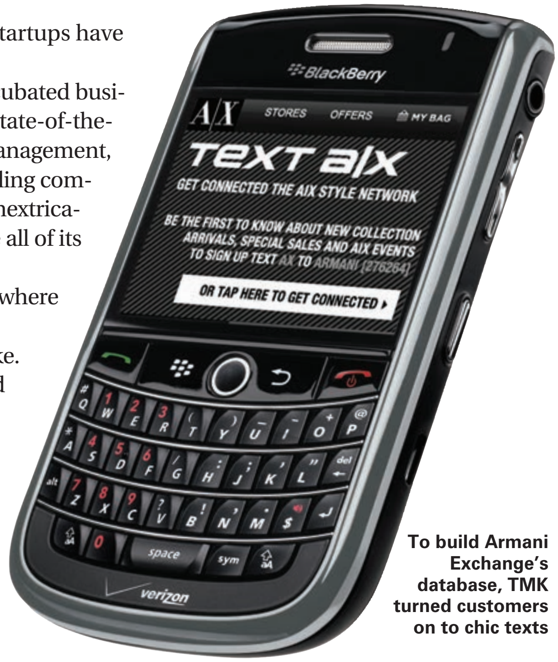
In fact, Lowenthal says his whole approach to media services agency management comes directly from Jim Collins' business management book, *From Good To Great*, whose premise is that great companies "have the right people on the bus, and once they have the right people on the bus, then they figure out what to do. They don't figure out what to do, and then go out and hire the right people to do it," says Lowenthal.

Which explains how the agency ended up with a fine artist organizing its projects and operations, or with a serial digital entrepreneur as its Chief Digital Officer. In fact, it is Herman's roots and passion for the digital startup culture that are much of what differentiates TMK from other mainstream media shops today. Like many of the others, TMK has its own ventures unit. But unlike others, it has a disciplined approach that doesn't just look for startups that could be good early-stage opportunities for clients. KBS+P Ventures, founded by Herman, invests cash in promising startups in exchange for equity based on expectations of financial, as well as intellectual capital returns. And he manages the unit like he would an independent VC fund with balance sheets reporting returns on equity.

The bonus for TMK is the early looks, strategic insights and ground floor opportunities to shape technology-based startups that could influence the way the agency and its clients use media. The fund's portfolio includes promising startups such as Yieldbot, PlaceIQ, Adaptly, Kohort, and Awe.sm, and while the fund hasn't yet "exited" from any of those investments, it has grown its paper value based on options some of those startups have already had to sell.

TMK's entrepreneurism has even incubated businesses inside the organization, such as state-of-the-art agency trading desk Varick Media Management, which now operates as its own freestanding company, with a separate P&L, though it is inextricably linked to TMK, which uses it to trade all of its "biddable" media.

And TMK doesn't just put its money where its mouth is. Sometimes it fuels innovation among startups for innovation's sake. That's why this past year TMK organized #TASC, or the Technology Advertising Startup Council, with three rival agencies — 360i, Deep Focus, and Anthem Worldwide. The goal of #TASC, says Herman, is simply to help foster new technology based businesses that will benefit advertisers and agencies.



To build Armani Exchange's database, TMK turned customers on to chic texts

YOU CAN STILL SEE REMNANTS OF WOOLMINGTON'S ORIGINAL CULTURE HANGING OVERHEAD IN THE KITCHEN'S OFFICES IN LOWER MANHATTAN — ACTUAL POTS AND PANS CONNOTING THAT IT LITERALLY IS A KITCHEN FOR COOKING UP BIG IDEAS.

That culture of startup entrepreneurism frequently blurs inside TMK, which encourages — and pays for — its staff to take courses at New York's General Assembly in areas that may not be apparently linked to the agency's services. Instead of studying media planning, a TMK planner might take a course in how to write computer code. Others might take courses in how to raise money from venture funds.

"The kinds of things our people study there aren't necessarily going to make them better media planners, but they are going to make them better people in general," says Lowenthal, adding, "I want people who are interested in where they are going. I want people who want to be the next Mark Zuckerberg. In the meantime, while they're trying to figure that out, they have a great job in digital media."

If that seems almost a little too altruistic for an agency boss, consider this. When Lowenthal was recently introduced to a startup that developed a technology for training dogs not to bark when their families were away from home, Lowenthal said the account was too small for TMK to take on, but he liked the idea so much that he encouraged some of his staff to work on it on their own time, and several became part of the startup's team while working at TMK as their day jobs.

Not many agency bosses would be that self-assured, but Lowenthal has the proof that it works, and instead of losing people, the culture ends up retaining them longer than they might otherwise have. Herman is a good example. When he joined TMK, his goal was to stay two years. He's entering his sixth.

Part of what attracts and keeps people is that boundaryless sense of open opportunity created by TMK's ethos. Herman points to examples like the fact that every presentation the agency has ever produced is published for the world to see on Slideshare. The only time the agency removes presentations is when it "runs out of space" and has to make room for new ones. Since 2009, when the agency started using Slideshare, it has published more than 300 presentations on the Web-based open access platform.

"A lot of other agencies like to hide their intellectual property," says Herman, "because they think they're protecting it. But innovation is all about being open. Innovation doesn't keep up when you lock it up in a room."

It was that kind of spirit of openness and innovation, ironically, that won TMK the account for Goldman Sachs, which some might perceive as a client that would be especially guarded, and has been struggling to rebuild its reputation due to its role in the 2007 financial services industry meltdown.

TMK's solution was for Goldman Sachs to be open about the progress it has been making and to distribute that story in as many places as it possibly could, just not on its own Web site. Instead, it partnered with a series of prestigious financial news publishers including *The Economist* and *The Atlantic* to create content tied to Goldman Sachs' story across the Web.

"The strategy was about not driving traffic to the Goldman site, which took them a little getting used to," Herman recalls.

Herman describes that approach "as high touch" and divides the work TMK does into two camps: High touch and biddable media. Both are informed by TMK's approach to strategic planning and communications objectives, but execute differently. The high touch approaches require lots of creative thinking and hands-on execution from lots of people. The biddable media approach is just the opposite, taking an underlying media strategy, connecting it to powerful analytics, and letting it effectively run itself.

Well, it doesn't actually run itself. The biddable media executions either run through sister agency trading desk Varick Media Management, or through KBS+P's search group, but they are directed and overseen by TMK. Biddable media has become such an integral part of TMK's mix that the agency has even created a new post, dubbed the "biddable media engineer" to work between the account, strategy, and planning groups and the trading desk and search groups.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DEAL OF THE YEAR

MEDIAOCEAN MAKES A SPLASH

How the new company is creating a common currency for media buying and planning BY DAISY WHITNEY

Billing, trafficking and processing ad orders are the plumbing of the ad business. They rarely get anyone excited and you assume they will work fine, but, boy, if they don't flow properly, life isn't good.

That's why the deal that formed MediaOcean in 2012 — when Donovan Data Systems and MediaBank merged — is one of the most significant landmarks in the ad business in 2012. The two competitive suppliers of media-buying processing systems became one in March 2012, and in the months that followed, the new company started rolling out its integrated platform to marketers. MediaOcean is nearly ubiquitous at U.S. agencies and processes more than $130 billion in media billing.

Raison d'Etre for Digital

The overarching goal with the merger was to extend the reach of both company's services into the digital side of the business, which desperately needed it, says CEO Bill Wise. Oddly enough, the processing of media buys is one of the few areas of advertising where TV is more efficient than digital. While TV may lack the levels of accountability and attribution of digital venues, the system of placing and delivering ads is easier. The digital world, with disparate systems and a plethora of players, has been a more complicated one for the plumbers to engineer.

Late last year, MediaOcean launched to its agency partners the newly integrated operating system for processing media buys, as well as new tools for buyers and sellers with its automated RFP process. What's more, MediaOcean has big goals for 2013 as well — to expand worldwide and to incorporate media planning and post-buy analytics into its system.

Analysts are impressed with the potential. "Much of 2012 was spent integrating MediaBank and Donovan Data Systems and I imagine we'll be hearing much more from them in 2013," says Daniel Salmon, Equity Research Analyst for Advertising and Marketing Services at BMO Capital Markets. "But already, we've seen new innovation in their SmartRFP app to help streamline the buying process and offer innovative new ideas like a recommendation engine for ad inventory. The company is in a unique position in the market."

Finding efficiencies in digital

After the merger was finalized in March, MediaOcean set to work combining the two systems into one, a process that took a little less than five months. The goal was to simplify workflow because the lack of standards in digital had made the buying process highly inefficient, Wise explains. For a simple ad insertion, an agency often needed to "touch" 13 different companies from the ad server, to the exchange, to the data company, to a brand safety company to the publisher and more. "The driving force behind the merger was to take the efficiency we have created in traditional and apply it to digital. That is the single only reason the merger made sense. To create a common currency and workflow for digital."

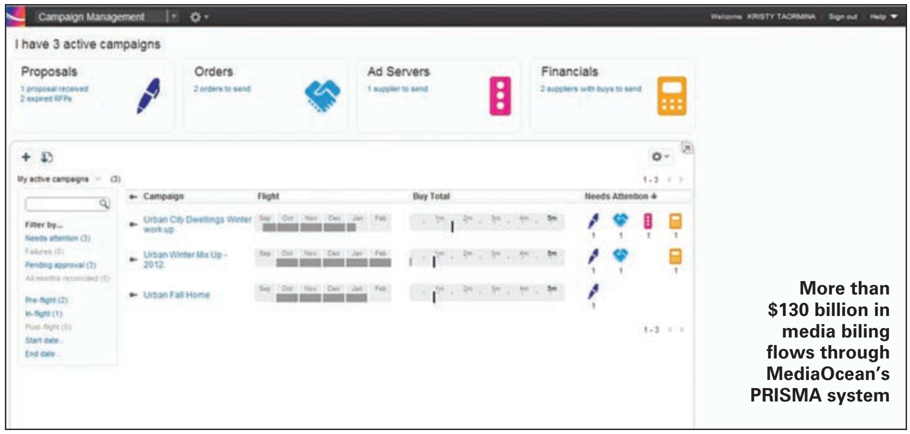
That new workflow is the Prisma operating system that MediaOcean introduced in late 2012, with customization at each agency partner. "If you are a buyer using Prisma, you don't need to log into DART or Atlas," Wise says. "We have built the APIs into the ad server. What Apple did for the smartphone in creating an app store we want to do for advertising. We have created an operating system where any app can sit on top of all that, like BlueKai or Ad Safe."

Put simply, a media buyer no longer needs to have multiple software programs open to process orders. Everything lives in one system and on one dashboard, which simplifies the process of buying and processing ad insertions.

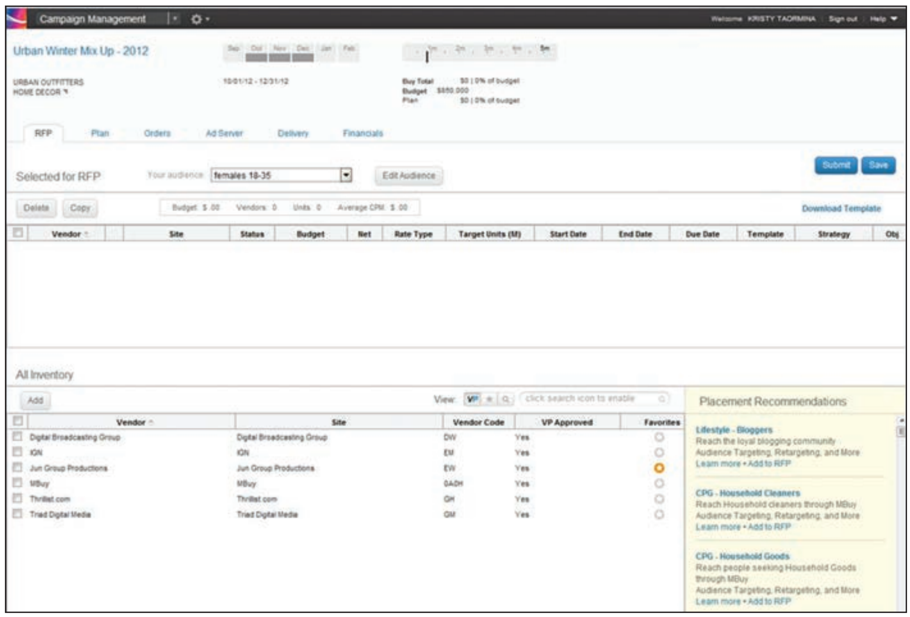
From Buying to Planning

The legacy of MediaOcean lies in media buying, and the next step will be to add planning and optimization into the operating system. This year, MediaOcean is aiming to layer in planning tools as well as analytics to capture both the before and after aspects of purchasing media.

That incorporation of planning tools can widen the base of media partners because the planning process is when



More than $130 billion in media biling flows through MediaOcean's PRISMA system



agencies conduct their inventory discovery, Wise says. At the moment, companies like Hulu and Pandora aren't in the system, but ideally they would be, making it easier for media buyers to spend digital dollars with those services. "Agencies don't do well on manual processes, so we want to automate it, and dollars will follow eyeballs," he says. Similarly, Wise hopes to expose more online video inventory to TV buyers via Prisma, and MediaOcean is also in talks with various online video technology companies to incorporate their tools into the system.

Then there's the data side. MediaOcean is adding in data from sources like comScore, as well as first-party data and proprietary data. That's key to success because data — the new black, some say — has become vital in all aspects of the buying process, from planning to real-time tweaks, to post-campaign analysis. "We want to help our clients absorb all the data they're sitting on, from first party, to third party, to offline, online, clickstream. There is an opportunity to create a common standard and we think we can do that," Wise says.

The term "data management platform" is a popular one and there are several different varieties, BMO's Salmon says. "Again, because of its legacy as the dominant agency work flow software provider, MediaOcean has a unique opportunity for selling this type of concept to agencies."

On the vendor side, MediaOcean rolled out a vendor-facing portal last year that now houses 44 of the top 50 digital publishers, and 163 publishers overall. Media sellers can also access the company's new SmartRFP system from Prisma. The SmartRFP tool lets buyers input their RFP needs into the system, and vendors respond directly to RFPs from agencies instead of relying on sending tons of emails. "We build automation into the entire RFP process in our system. So that starts with the buyers putting in all the parameters, and audience options, and then it automatically gets sent to publishers," Wise says. "That's an example of how we're a buying and a bill pay company, but you need to plan buy and optimize in the same system, so let's automate the RFP."

Technology partners say the integration is helping their businesses. "What's critical to the growth of the advertising ecosystem is the ability of all players in the space to interconnect," says Lorne Brown, president and CEO of advertising software company Operative. "The easier it is for buyers, sellers, and technology media providers to transact, the more powerfully the entire industry can grow, and the more deeply brands can engage with consumers."

The merger will let MediaOcean enter more international markets, Wise says. The company currently processes ad spend in the U.S., UK, Germany, France and Canada. The goal for 2013 is to reach 200 markets. That process calls for another massive layer of integration. "The big hurdle to overcome is how to create a platform which at its core is a global platform, and then can you localize for currency and language. We are building an underlying advertising platform that needs to be customized at a local level but isn't a local platform, and that's only possible because we rearchitected around Prisma so modules can be added." Ⓜ

"WHAT APPLE DID FOR THE SMARTPHONE IN CREATING AN APP STORE WE WANT TO DO FOR ADVERTISING."

Bill Wise
CEO, MediaOcean

INSTIGATOR THE YEAR

All Together Now

In an industry better known for shark tanks than think tanks, MPG's Collaborative Alliance nurtures industry cooperation — and breakthrough research **BY DAISY WHITNEY**

A sandwich can be a powerful lure to those in the ad business.

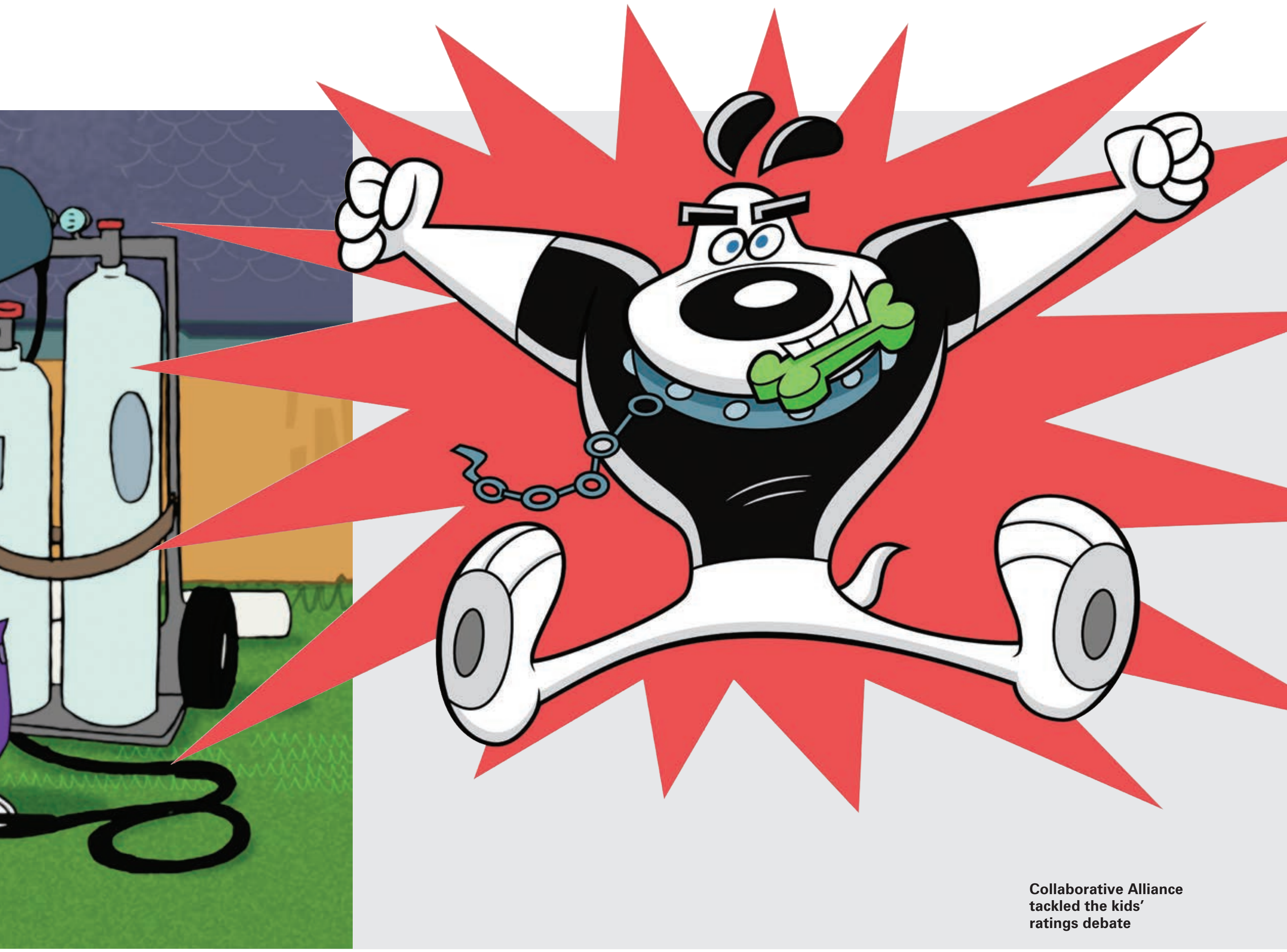
When the sandwich comes with fresh research and new insight — even better.

That's what more than 300 executives in the agency, marketing, TV, research and technology business get four times a year from the Collaborative Alliance, a think tank founded by MPG executive Mitch Oscar. The Collaborative Alliance lives under the auspices of MPG's innovation umbrella and has had one of its most productive years.

During Advertising Week in October, the Collaborative Alliance session was one of the week's most attended events. Also this year, the Collaborative Alliance partnered with MediaOcean on a project to improve workflow for buying, trafficking and billing on video across platforms, helped drive the acceptance of set-top box data as a currency during the TV upfront negotiations, created the first VOD directory for the business, supported the launch of dynamic ad insertion with Comcast's FearNet and MPG client Volvo, researched the hotly-debated kids ratings decline, and studied social TV.

Whew.

Any of these accomplishments alone would be noteworthy. That they came from one group that links MPG and other agencies, as well as measurement firms, technology startups and programmers — all working together by choice — is even more impressive. The Collaborative



Collaborative Alliance tackled the kids' ratings debate

Alliance has become both a force to be reckoned with in the ad innovation world as well as an oasis to explore new ideas and possibilities.

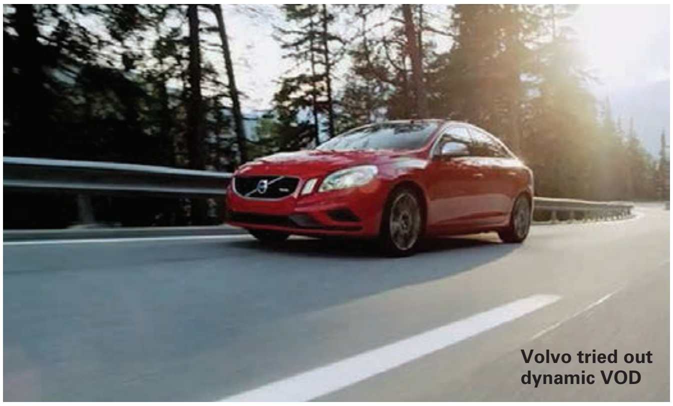
"The Collaborative Alliance is one of those rare instances when all of the various entities of the business can get together to learn from one another, share experiences and — not to sound too grandiose — raise the overall quality of media research and how it can benefit the industry," says Alan Wurtzel, President of Research and Media Development for NBCUniversal, who presented cross-platform data from NBC Olympics coverage at a Collaborative Alliance meeting. "I've been fortunate to have the opportunity to participate in some of their meetings and I found the quality of the audience and the level of questions and discussion to be both personally gratifying and professionally valuable. And they serve a great lunch."

Other network researchers have come to rely on the Collaborative Alliance too. "Our participation in the Collaborative Alliance has provided a beneficial opportunity to share our research and for our research professionals to learn from the innovative insights of others," says Jack Wakshlag, Chief Research Officer at Turner Broadcasting.

Reshaping Ad Campaigns

The Collaborative Alliance started at MPG in 2008 as a think tank, and it also now guides research projects and some ad campaigns. For instance, MPG brought its Fidelity client to participate in a campaign in early 2012 that used set-top box data from 8 million Rentrak homes as the measurement benchmark, marking one of the first times a TV buy was guaranteed by national Rentrak data. "That gave the marketer a deeper look into a larger group of homes. The data gave us insight into the schedule and then we reallocated some dollars [for the client] towards different networks because of the data and the guarantee," Oscar says.

The group has also pushed VOD efforts, including bringing Volvo on board with FearNet for the first implementation of dynamic ad insertion into VOD programming, which lets the network drop in fresh creative during the campaign. Other VOD work came from a steering group within the



Volvo tried out dynamic VOD

Collaborative Alliance that assembled a directory of more than 200 VOD networks by genre to allow for easier buying of VOD programs. That directory lives with the 4As, AdMonsters and MediaOcean. “If you’re a buyer and you’re buying kids, for instance, this lets you know which ones and which shows are on VOD,” Oscar says.

The Collaborative Alliance has also assumed a research role in the ad industry. During the heated debate about Nickelodeon’s ratings dip at the start of 2012, the group tackled the issue by studying data across several sources including Nielsen, Tivo and Rentrak. The goal was to learn which networks were gaining and losing share. “We found that kids’ ratings weren’t diminishing overall and a lot of the kids’ networks picked up audience that Nickelodeon was losing, and that was one of the things that people in the industry wanted to know. We saw how Nickelodeon did over the three services, and found that the ratings were going to other networks [not just to online or Netflix], and that Disney was the dominant beneficiary, but it was also spread over other networks,” Oscar says.

In addition, the Collaborative Alliance took on the mantel of understanding social buzz and TV ratings. Via a group that included three social TV measurement services working together in BlueFin, Trendrr and General Sentiment, the think tank analyzed whether there were any alignments between the top-ten buzzed-about shows and the top-ten Nielsen shows. They learned that the top ten in each category rarely lined up, so the study raised more questions about the interplay between social and TV ratings. This insight was also shared at the 4As conference.

“The Collaborative Alliance brings a smart group of innovative industry leaders together to share information, tackle the big cross-platform measurement issues and compare notes on best prac-tices. We all drop our competitive hats and come together with a common purpose driving all of our work — to better serve the media industry and the advertisers that support it,” says Meghann Sills Elrhoul, Trendrr’s VP of client services and analytics. “There is a real sense of innovation and camaraderie among its members because, while some may compete for dollars outside the alliance, all are working to tackle the same big measurement issues and opportunities.”

Taking a break from competition

To check your ego at the door sounds good in theory. But the mission of the group is to drive change by sharing, rather than competing. That’s a bit of a kumbaya strategy, but it seems to be working given the turnout and the reception the Collaborative Alliance has gotten over the years.

Oscar says the work has helped move the industry forward in a variety of ways, from VOD innovation to opening the dialogue about how to measure social TV. The goal of the group’s research projects isn’t to uncover a new proprietary insight. It’s to better understand the market and share that insight with anyone in the business. As an example, one of the most recent Collaborative Alliance meetings included a presentation by MPG’s EVP Research Joe Abruzzo on “informing the TV buy” that showcased different ways to apply new measurement tools from companies such as Simulmedia, Rentrak, Collective, TRA, BlueFin and Trendrr.

“One of the things the Collaborative Alliance can do that I don’t know that others can do is when people donate their data, we can then put something in front of the broader community that they don’t usually get to see,” Oscar says. “The alliance was originally a way to share information publicly to move innovation along. Now it’s become a place where we also take a look at these things like set-top box data or social TV data and compare them and then share that with the group and the industry.” M

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(5) Individual Paid/Requested Mail Subscriptions Stated on PS Form 3541:	6,224	6,100
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(8) Requested Copies Distributed by Other Mail Classes Through USPS:	0	0
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f. Total Distribution:	7,471	8,035
g. Copies not Distributed:	40	40
h. Total:	7,511	8,075
i. Percent Paid and/or Requested Circulation:	83.30%	75.92%

17. I certify that all information furnished on this form is true and complete. Kenneth Fadner, Publisher

OMD'S SPOTIFY HACKATHON

The agency organized a party with a mission: Spotify attracts more users, while introducing the music platform and app developers to big brand thinking. **BY ERIK SASS**

Every digital media platform worthy of the name unleashes the creativity of its audience by opening up the platform to app developers, encouraging them to come up with new apps that make the platform more accessible, more convenient, or simply more fun. It's a win-win for both sides, as the platform taps the insight and enthusiasm of users to improve its service, and the users get to customize their favorite media.

There's no question Spotify, launched by a group of enterprising Swedes in 2006, is blowing up: the number of active monthly users increased from 7.4 million in November 2011 to 24 million in November 2012, and the platform boasts high engagement with its comprehensive music offerings. But with paying subscribers making up just 20% of the total user base, and artists demanding more royalties, Spotify faced that all-too-common digital media conundrum: how to make money off of a popular but mostly free online service?

To help the process along (and maybe get a leg up on advertising opportunities associated with apps) OMD organized a "hackathon" for Spotify February 24-26, 2012, bringing together more than 300 programmers and app developers for two straight days of brainstorming and creating music apps for the burgeoning digital music platform. Sponsors including McDonald's, Doritos, Mountain Dew, State Farm, and CW stumped up cash for a $10,000 grand prize for the best app to emerge from the hackathon. Basically the Spotify hackathon aimed to kill two birds with one stone, helping Spotify attract more users while introducing Spotify and app developers to major brand sponsors.

In keeping with the playful mash-up theme, the hackathon was hosted at the Manhattan branch of SPiN Galactic, a chain of Ping-Pong clubs co-founded by Susan Sarandon. In this nightclub environment, hackers were supplied with pizza and plenty of energy drinks in the form of Mountain Dew. A number of tech resources were also placed at the hackers' disposal, including Facebook, Last.fm, Foursquare, Twilio, and the Echo Nest. There were two live concerts, and the vibe was cosmopolitan: according to organizers, the Spotify hackathon drew programmers from all over the world, including Australia, Italy, Pakistan and Finland.

At the end of the weekend, contenders were judged by a panel of representatives from the brand sponsors, OMD, and Spotify itself. Out of over 45 contenders, the grand prize went to Swarm, which allows Spotify users to aggregate their friends' current listening activity to compose their own dynamic playlists, which are updated in real time — effectively turning Spotify into a music-based social network. Probably the best description of Swarm came from its developer, Peter Watts (the Australian who previously created +Music, a Google Chrome plugin for Facebook): "It will take the internet, find everything related to music, shove it inside Spotify, and put a play button on it." Swarm earned rave reviews, with CNET promising it will "change how you use Spotify."

As it turns out, the hackathon was part of a bigger app push from Spotify, which shortly afterwards launched a number of branded apps with sponsors like AT&T, McDonald's, Intel, and Reebok. And thanks to its relationship with OMD, there's no doubt more to come.


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